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GENERAL

1. Australian Prime Minister called to London by Churchill:

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[REDACTED] Prime Minister Menzies has been requested to go to London for urgent consultation with Winston Churchill. Menzies will not be able to leave until mid-May, however, and will stop over en route for several days in Washington to discuss "defense issues" and Australia's position in "global plans" with President Truman.

The emphasis in London will also be on defense, with attention to political aspects of the Middle East Command, the procurement of military equipment for Australia and probably atomic developments. It is assumed by the Australians, however, that a wide range of topics will be discussed, including Kashmir, Egypt, China, and Korea.

NEAR EAST - AFRICA

2. Libyans want US to play larger part in Libya:

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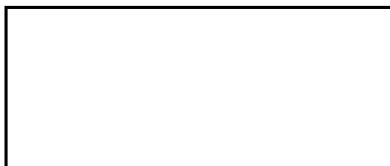
[REDACTED] Libyan Prime Minister Muntasser has informed the American Minister in Tripoli that an increasing number of Libyans believe the United States, rather than Britain and France, "should assume primary responsibility for the Libyan nation." Some Libyans fear that a few years of strong British interest in Libya may result in something comparable to what has happened in Egypt.

Muntasser stated that Libya "has little confidence in France" and that, while relations with the Italians were satisfactory, negotiations toward a property settlement were slow and filled with obstacles.

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3. Establishment of interim government in Greece now appears unlikely:

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Opposition leader Papagos has prevented formation of the proposed interim government by his refusal to participate in a vote of confidence. The King's political adviser, Vendiris, had insisted that without the support of all the parties an interim government could not carry out economic and other reforms.

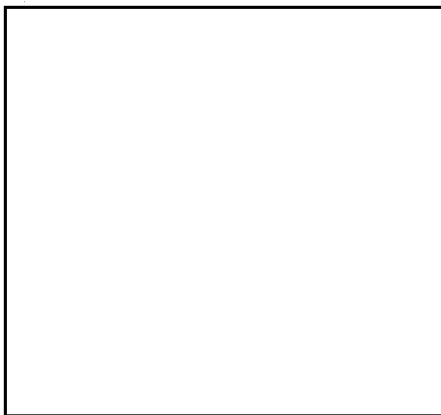
Comment: Papagos fears that a vote of confidence in an interim government would enable it to remain in power indefinitely. Consequently he has refused to take part in such a vote.

Indications are that the present government will continue to function for the time being with decreasing effectiveness in the face of a deteriorating economic situation and increasingly bitter opposition from Papagos' Greek Rally Party.

WESTERN EUROPE

4. Reactions to the US proposal for rapid completion of Western defense treaties:

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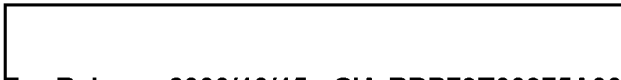


The British, Dutch and French Governments are reacting negatively to a United States suggestion that both the Allied-German contractual agreement and the European Defense Community treaty be signed on 9 May. They agree that the earliest possible date is 20 May.

The British Foreign Office thinks that no deadline should be set until negotiations are nearer completion. Furthermore, Britain will not sign the contractual agreement until the terms of the German financial contribution for defense purposes are settled.

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Paris observes that the EDC treaty drafts may be completed by 30 April, but that the participating governments should have several weeks to review its provisions. The French Foreign Minister may stipulate that the British security guarantees extend to EDC nations only as long as they are EDC members.

Comment: Reaching accord on the terms of the German financial contribution to Western defense is the main barrier to early agreement on both the treaties. The Allied High Commissioners in Bonn believe that all other points in the contractual agreement will be settled by 30 April. The Netherlands has created an impasse in the EDC negotiations by insisting that the Federal Republic pay for all its defense costs.

5. German unity issue may lead France to reject the Defense Community:

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 The American Embassy in Paris warns that if the French public gains the impression from Western publicity on the Soviet note that the strength of the West is being harnessed in the cause of German unity, the French Government will be faced with additional difficulties in seeking National Assembly ratification of the EDC.

There is widespread fear in France that efforts to unify Germany could precipitate a new world war, and one of the most telling arguments against the EDC when the Assembly first debated the question was the claim that a European Army might be used in the service of German unification.

Comment: The French Government was unprepared for the violence of the Assembly reaction to the pre-Lisbon Defense Community plan, and despite the steps to meet the Assembly's conditions, the renewed discussion of the possibility of German unity will encourage parliamentary opposition to the European Defense Community.

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6. Stikker predicts serious economic trouble in Europe:

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Dutch Foreign Minister Stikker recently told United States officials in Washington that he expected "real economic trouble" in Europe within the next month or so.

He doubted whether the Organization for European Economic Cooperation and the European Payments Union could be kept going in the future, particularly in view of the United States refusal to make a direct contribution and its insistence that members solve their own financial difficulties.

Stikker believes that a termination of the Union would mean the end of the trade liberalization program in Europe, and might prevent implementation of the European Defense Community and the Schuman Plan.

Comment: The continuation of the Payments Union, which is scheduled to end 20 June, is still under discussion. Although Stikker is at times unduly pessimistic on world developments, the Dutch Government has considered the Union necessary for the preservation and expansion of intra-European multilateral trade.

7. East Germany orders decentralization of municipal government:

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The East German Government has ordered, effective 1 May, the return to municipal control of the administration of the ten largest East German cities, excluding Berlin.

[redacted] this order further evidence of the Socialist Unity Party's determination to strengthen its control by associating the population more closely with the regime and by enlarging its opportunities for influencing the people.

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Comment: This action may be part of the current "democratization" in the Soviet Zone. Reports of penal reforms, an order for increased attention to individual rights, and a recent directive for favorable consideration of "bourgeois" personnel in government positions are indications of the new "democratic" policy which was started in January.

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